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# **„Model of Effective Management of Bulgarian Public Administration Managing EU Funds“**

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# Model of Effective Management of Bulgarian Public Administration Managing EU Funds

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## Summary:

The paper analyzes the possibilities of constructing a model for the effective management of the Bulgarian public administration responsible for managing the EU funds amid the global financial crisis by using McKinsey's 7S model. The change of the management model of the public administration in charge of the absorption of EU funds in Bulgaria would increase the absorption rate of the funds while streamlining budgetary costs on the maintenance of the administration. The aim of the study is to identify the causes leading to the inadequate absorption of EU funds for Bulgaria and consider ways to address the problems. Such an analysis would be useful for countries applying for EU membership – Macedonia, Serbia, and Turkey to avoid repeating such mistakes. In addition, the analysis makes an attempt to identify some weaknesses of the structure in place in other EU member states such as Hungary and Slovenia

**Key words:** financial crisis, a model for effective management, human capital

**JEL Classification:** H11, H83, M12, M54

The global economic crisis that started in 2008 posed new challenges to public administration related to the pursuit of an active macroeconomic policy aimed at overcoming the recessionary trend and speed up post-recessionary recovery through the effective absorption of EU funds in Bulgaria and the new EU member states. The injection of these funds into the national economies would allow the reallocation of budgetary resources that duplicate the EU-financed policies to other areas and will reduce the fiscal burden. It would also allow for changes in the quality of the production base /physical capital/, especially in the EU's competitiveness, agriculture and transport programs. Thus the production capacity and accordingly the level of GDP in the long run would increase.<sup>1</sup>

The aim of the study is to identify the causes leading to the inadequate absorption of EU funds in Bulgaria and examine the ways to address the problems. Such an

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<sup>1</sup> According to the Bulgarian government, a possible increase in GDP for the period 2007 – 2015 ranges around 9.3% (rule N +2), where the absorption provided to Bulgaria is 9.4 billion in the period 2007 to 2013. Source: Ministry of Finance, National Reform Programme 2013. <http://www.minfin.bg/en/page/573>

analysis would be useful for countries applying for EU membership – Macedonia, Serbia, and Turkey to avoid making the same mistakes. Furthermore the analysis attempts to identify some weaknesses of the structure in place in other EU member states such as Hungary and Slovenia<sup>2</sup>.

This paper makes the assumption that a reform in the management model of the public administration responsible for the absorption of EU funds in Bulgaria will speed up the absorption rate of the funds and will at the same time streamline the budgetary costs associated with the maintenance of civil service.

The research topic is the public administration responsible for the absorption of EU funds in Bulgaria, and in particular the functional and structural links and dependencies examined within the existing management model.

The tasks set by this study are to:

- identify the reasons leading to the incomplete appropriation of the EU funds earmarked for Bulgaria;
- analyze the impact of public administration as a factor influencing the amount disbursed and reimbursed from the EU funds earmarked for Bulgaria;
- develop a concept for changing the management and functioning model of the public administration in charge of the absorption of EU funds in Bulgaria.

A restriction in this study is the lack of official information on the functioning of the public administration responsible for the absorption of EU funds for Bulgaria.

In methodological terms given such restrictions the systematic and the comparative approach have been applied. Adopting the systematic approach, public administration is regarded as a system consisting of certain elements whose operation is affected by both endogenous and exogenous factors. By using the comparative approach, the weaknesses in the system have been identified and measures have been proposed for the optimization of its operation.

According to the Brussels office of the German Society for International Cooperation (GIZ), the EU funds that Bulgaria actually absorbed in the period between 2007 and 2013 (funds reimbursed by the EU) at the end of the second quarter of 2014 stood at 48%<sup>3</sup>. According to a special report on Bulgaria issued by the International Monetary Fund (IMF), since February 2014 the amount of actually absorbed EU funds is 34%<sup>4</sup>. This suggests that Bulgaria's capacity to absorb EU funds (according to the actually reimbursed by the EU funds) is sufficient for 50%, or only half, of the projected funds.<sup>5</sup>

The result itself is modest considering that in the pre-2007 period Bulgaria was supposed to have a sound experience of seven years (2000 – 2006), when PHARE, ISPA and SAPARD were in place.<sup>6</sup>

Taking into account the huge number of specialized administrative bodies that have yielded such an inadequate result, as well as their high income in the form of additional pay for specialized work, their

<sup>2</sup> EU Funds in Central and Eastern Europe, Progress Report 2007-2012, KPMG, 2013

<sup>3</sup> (GIZ) Deutsche Gesellschaft für Internationale Zusammenarbeit - Representation in Brussels

<sup>4</sup> Paliova I. and Lybek T., "Bulgaria's EU Funds Absorption: Maximizing the Potential", International Monetary Fund, Feb.2014, p.13

<sup>5</sup> Performance may improve given that Bulgaria declares that has been contracted out all of it money or slightly decrease in case additional paid impermissible means or because of lack of time to carry out the activities by the beneficiaries.

<sup>6</sup> EC Representation in Bulgaria

extra employment contracts for the same functions, their expensive training, and the use of many external experts (outsourcing and PPA) and solid technical support, it is evident that there is something wrong in the very pattern of management, operation and control related to EU funds.

Therefore the current management function and control model related to EU funds to support Bulgaria will be analyzed by using the McKinsey 7S model.<sup>7</sup> It allows for the evaluation and analysis of the dynamic changes in the operation of a given production or administrative system. It encompasses the following: structure, strategy, systems, skills, style, staff and shared values rather than traditional labour, capital, land, entrepreneurship as instruments for analysis of organizations.<sup>8</sup>

Notwithstanding the conceptual hierarchy of McKinsey's theory, given the above identification of research topic, human capital will be examined, which in the 7S model is referred to as "staff", directly related to the 7S "qualification" and "style" elements. The implicit impact of this dynamic core of the system on its static elements (structure, strategy, system) will be examined, and the "shared values" item is regarded as mandatory.

### 1. Staff <sup>9</sup>

The analysis of staff will start with defining the necessary optimal number of employees of the organization based on

the targets and actually achieved results, including their typology, and a comparison with the current situation.

In the report on the administration for 2012, and in those for previous years, there was no evidence of the number or the type of civil servants working on activities directly related to the absorption of EU funds earmarked for Bulgaria.<sup>10</sup> However, such data can be found in the internal regulations of the administrations, which involve managing authorities and/or intermediate bodies of the operational programs.

For this reason and for comparative purposes two similar operational programs have been selected that envisage measures of large infrastructure investment projects or network/line infrastructure having the same financial resources, but with very different levels of absorption of EU funds. These are the Operational Programme Environment (OPE) and the Operational Programme Transport (OPT).

Paradoxically, the operational program with twice as large administration (OP Environment) has utilized half the amount of European funds compared to other similar operational program (OP Transport) that throughout the program period worked with half the number of civil servants, who performed the same type of measures and managed the same financial resources.<sup>11</sup> The reason for those differences will be revealed by the specific data obtained by the present analysis:

<sup>7</sup> Waterman R.JR., Peters T., and Phillips J., "Structure Is Not Organization", BUSINESS HORIZONS, June 1980

<sup>8</sup> "7S" - model is based on the understanding that an organization operates optimally when the links between these seven elements are synergistic and each of them is effective in itself.

<sup>9</sup> Under the item "staff" in the study is meant the required optimal number of employees of the organization according to their type and the manner of their appointment

<sup>10</sup> Status Report on the public administration in 2012. Council of Ministers of the Republic of Bulgaria, July 2013., P.15

<sup>11</sup> In the same financial management resource, both programs have different numbers of beneficiaries. Operational Programme "Environment" has 228 beneficiaries. <http://ope.moew.government.bg/bg/pages/lists-of-beneficiaries/99#1>; Operational Programme "Transport" has 7 beneficiary. <http://www.optransport.bg/page.php?c=11#>

## Articles

### - *Identical measures to implement*

Operational Programme Environment aims primarily at infrastructure measures in the environment field, 92% of the funding is directed to the management of water and waste. It includes the construction of linear/network infrastructure (water supply, sewage, etc.), and large investment projects (landfills, wastewater treatment).<sup>12</sup>

Operational Programme Transport is primarily responsible for infrastructure measures in road, underground and over-ground rail and sea transport. It includes linear/network infrastructure (highways, primary roads, railways, etc.), and large investment projects (construction of port facilities, terminals and complexes, railway station complex, underground distribution stations).<sup>13</sup>

### - *Identical in size financial resource management*

Operational Programme Environment has the financial resources worth 1.466.4 million euro.<sup>14</sup>

Operational Programme Transport has the financial resources worth 1.624.5 million euro.<sup>15</sup>

### - *Different number of employees working in the managing authority and intermediate bodies under the two programs*

In the period between 2006 and 2013 Operational Programme Environment started

with 67 employees in 2006, which gradually increased and reached 133 employees in 2010, and their numbers remained stable at the end of the period in 2013, it remained at 131 employees.<sup>16</sup>

In the period 2006 to 2013 Operational Programme Transport started with 39 employees in 2006, gradually reaching 61 employees in 2010, while their numbers remained stable as at the end of the period in 2013 it had preserved its level of 61 employees.<sup>17</sup>

### - *Different structure, different ratio and system relations management-expert staff*

Operational Programme Environment consists of a managing authority and an intermediate body.<sup>18</sup> The intermediate body is not a mandatory structure according to the EU rules, and it is up to the Member State or the managing authority to decide whether they need such assistance and establish it. The intermediate body acts on behalf of the managing authority, performs part of his duties or assists it. This determines the large number of managers and the complex interconnections between them: two directorates with multiple departments. Heads of departments at the managing authority take decisions binding to the head of the intermediate body, and other issues.

<sup>12</sup> Guidelines for Operational Programme "Environment", source: <http://www.eufunds.bg/>

Most active in negotiating projects under Operational Programme "Environment" were Haskovo municipality, Burgas and Sofia Municipality.

<sup>13</sup> Annual reports on the implementation of the OP "Transport" in the period 2007 to 2013 containing a list of funded projects, Source: General guide to the implementation of the Operational Programme "Environment" 2007-2013., CCI No: 2007BG161PO005, web: <http://www.eufunds.bg/>

<sup>14</sup> Source: General guide to the implementation of the Operational Programme "Environment" 2007-2013., CCI No: 2007BG161PO005, web: <http://www.eufunds.bg/>

<sup>15</sup> Source: Ministry of Transport, <http://www.optransport.bg/page.php?c=140>

<sup>16</sup> Source: Regulations of the Ministry of Environment and Water; amendments

<sup>17</sup> Source Regulations of the Ministry of Transport; amendments

<sup>18</sup> Although it is not necessarily, for the OP "Environment" had been chosen to be assisted by an intermediary body - the "EU Funds for Environment" at the Ministry of Environment and Water. According to the European legislation the mandatory structure for OP "Environment" is only the Managing authority - "Cohesion policy for Environment" at the MoEW. Source: General manual for the implementation of the Operational Programme "Environment" 2007-2013., CCI No: 2007BG161PO005, web: <http://www.eufunds.bg/>

Operational Programme Transport consists only of a managing authority, having chosen a simple structure and without an intermediary body.<sup>19</sup> The managing authority directly contacts with beneficiaries. The structure consists of only one department, and five divisions.

*- Differing efficiency, varying degree of absorption of EU funds*

Operational Programme (OP) Environment has utilized 25% of the identical funding.<sup>20</sup>

Transport OP has utilized 48% of the identical funding.<sup>21</sup>

The conclusion that can be drawn from these data is that the high number of staff and the complicated structure of the Environment OP has a negative effect on performance and ultimately yields poor results. This means lower absorption rate of identical in size EU funds compared to Transport OP, which operating with same funds in the same type of projects with half the civil servants had double the effectiveness and has absorbed twice as many funds.

In the annual reports on the state administration for the period between 2007 and 2013 or elsewhere, there is a lack of

specific data on the appointment of civil servants responsible for the implementation of EU funds in Bulgaria (competition reassignment, direct appointment). Such data are not available in any other publicly official sources. For this reason the general data for the administration set out in the annual reports on the state of public administration in the period will be accepted by analogue as they cover the EU funds responsible units.

According to the annual reports on the state administration 2012, the most commonly used method of recruitment of civil servants was the reassignment to another position.<sup>22</sup> It is thus that one-third of the employees were appointed.<sup>23</sup>

Another way to circumvent the competition procedure has been the initial appointment of an EU fund management position on a part-time basis (7 hours a day instead of 8 hours).<sup>24</sup> In official sources there is no evidence about how often this procedure has been applied.

## 2. Qualification (Skill)<sup>25</sup>

To analyze the qualifications of employees appointed to expert positions

<sup>19</sup> Procedures for Management and Implementation of the Operational Programme "Transport" Source: Ministry of Transport, <http://www.optransport.bg/page.php?c=140>

<sup>20</sup> Paliova I. and Lybek T., "Bulgaria's EU Funds Absorption: Maximizing the Potential", International Monetary Fund, Feb.2014, p.16

<sup>21</sup> Paliova I. and Lybek T., "Bulgaria's EU Funds Absorption: Maximizing the Potential", International Monetary Fund, Feb.2014, p.16

<sup>22</sup> Source: <http://www.strategy.bg/>; Latest report at the time of the publication (2014) is 2012. Reassignment is carried out mainly in terms of Art. 82, Para 1 of the Civil Servants Act (if the employee meets the minimum conditions of employment for the job) in conjunction with Article 10 of the Civil Servants Law no competition is conducted.

<sup>23</sup> For example, an employee is initially appointed without competition for low-paid and low-skilled position, usually for technical assistant, for which no interest was met. Subsequently, an average of 6-12 months was reappointed to expert position in the management of EU funds bypassing competition which would have high interest from many other candidates because of the prestige and good salary. Under this scheme are announced at the same time official competitions with high requirements for the purpose no one to be appointed and the position to stay free for internal redeployment of person who wants to avoid competition test and meets the minimum requirements for the position. This is confirmed by the fact that in the report on the state of public administration in 2012 the number of competitive canceled procedures was increased due to lack of candidates from 49 in 2011 to 59 in 2012. The number of the canceled procedures due to lack of candidates in 2012 was 49, the same as in 2011. The number of the competition without final approval also is increased to 281 in 2012 to 258 in 2011.

<sup>24</sup> Used as a basis Article 16 in conjunction with Article 10 of the Law on Civil Servants

<sup>25</sup> In the study, the item "qualification" means those essential skills and abilities of staff formed the basis of education, training and experience required in the organization now and in the future. Besides the key skills and abilities in this study that element also includes training, motivation, and remuneration. The aim is to compare whether qualifications meet the wage and separately whether the motivation for the result and the result achieved is equivalent to the salary and the money invested by the organization for training of the staff.

## Articles

in the public administration responsible for the absorption of EU funds for Bulgaria the estimated remuneration should be taken into account. Generally, only high remuneration would attract highly qualified employees.

The remuneration of employees appointed to expert positions within the studied period (2007-2013, including 2014) is about 15 times the minimum wage and about 6 times the average wage salary in Bulgaria.<sup>26</sup> The structure of this fee includes individual basic monthly salary, which is much higher than that of other civil servants who do not perform functions related to the EU, regardless of the quality performance of the tasks and the achieved result, and a separate bonus for performance. Also, their salary is increased in the event of positive appraisal of their performance which are promoted to a higher rank and position.

There is no separate official data on the performance appraisal of employees performing functions related to the EU funds, so the general official data for the administration including these employees also will be used. According to the latest public data, the largest share belongs to the received maximum evaluations "Exceptional Performance" and "Implementation exceeds requirements" - 41.7% for 2012. Evaluation "Satisfactory Performance" have 55.7%. The evaluations related to unacceptable and insufficient performance cover only

2.6%. Data for previous years are similar with total variation up to 5%.<sup>27</sup>

In other words, it turns out that nearly half (47%) of the employees under the Environment OP have overfulfilled their duties, the other half (55%) have fulfilled their obligations properly, while the effectiveness of the programme is only 25% as indicated. This raises a number of questions about the objectivity of the appraisal and about the spending of big European and Bulgarian funds for excessive salaries of these employees. It can be definitely concluded that their salaries do not correspond to the achieved results.

**It can therefore be summarized that the high remuneration of the attracted qualified and competent employees has not served as a motivational tool for effective work.**

By comparison, the average basic monthly salary of employees in the central administration without functions related to the absorption of EU funds as of 1 September 2012 reached 443 euro, which is by 15% higher than the average monthly salary in the country and five times lower than the remuneration received by their colleagues working with EU funds with the same qualifications and the same administrative and penal responsibility.<sup>28</sup>

**The difference in remunerations demotivates the employees, and given**

<sup>26</sup> These amounts do not include the consideration that many of these experts receive additional money under civil contracts with subject equal to their functions related to EU funds, but concluded formally with duplication of the functions to other department of the same administration. See: Article 5, paragraph 2, paragraph 3, paragraph 4, Article 19, Item 3, Article 24, Article 25 of the Regulation on the salaries of civil servants / promulgated No. 49 / 2012, 5/2014/acting at the time. All previous versions of this Ordinance for the period See also: Article 6, para 11, para 12, para 13, paragraph 3 of the Decree № 67/2010 salaries in the budgetary organizations and activities /promulgated 32/2010, 8/2014 / acting at the time. See also Article 2, paragraph 7 and Annex 7 in the wording of the same order of SG 74 21.10.2010. See Article 6 of Decree № previous 46/2009 salaries in the budgetary organizations and activities /promulgated No. 46/2009, 32/2010/. See Article 10, paragraph 3 and Annex № 7 of the previous Decree № 175/2007 salaries in the budgetary organizations and activities /promulgated No. 61/2007, 18/2009 /.

<sup>27</sup> Report on the state of the administration in 2012. Council of Ministers of the Republic of Bulgaria, July 2013., P.18

<sup>28</sup> Report on the state of the administration in 2012. Council of Ministers of the Republic of Bulgaria, July 2013., P.18



**the complementary nature of EU funds to the national efforts, prevents the effective implementation of a overall infrastructure in the indicated fields - transport and environment.** The factors for the worsened relationships and communication between the departments of ministries/agencies in the performance of their functions are created. This problem initially was identified by the author in previous publications in 2009.<sup>29</sup> Later it has been confirmed by other authors, including by the International Monetary Fund in 2014.<sup>30</sup>

In view of the above-mentioned lower levels of work efficiency of the employees involved in EU fund management, their qualification and education should be established to examine whether the problems in this field do not lead to their low work efficiency:

As an example, following the comparison of item 1, we will examine the competence of the employees in the Managing Authority and Intermediate Body of the Environment OP and how this competence is assessed, considering that during the previous two years (period 2012-2013), some 500,000 euro were spent on their training.<sup>31</sup> It turns out that in 2012, at the end of the programming period, 30%

of employees were trained in EU fund management, project cycle management, preparation, awarding and monitoring of public procurement contracts. Here arises the question of how they carried out their main obligations in the period 2007-2012.

The level of language proficiency of employees in EU funds also raises doubts, although this is a legal requirement for civil servants, given that for the period 2008-2014 for the needs of the Environment OP nearly 200,000 euro were spent on translation services performed by external contractors.<sup>32</sup>

There are cases established by the Bulgarian National Audit Office where the training does not comply with the assigned functions of the employees. Experts have participated in trainings for contests to work in the EU institutions. There have been trainings in French, Spanish and Italian languages to improve the staff's qualification, but they are not directly related to their obligations.<sup>33</sup> This questions the quality of training programs and the initial training for employees.

Given such doubts about the level of competence compared to labor productivity or the percentage of activities transferred to outside contractors, the following

<sup>29</sup> Nozharov Sht., "Requirements for employees who manage the funds under the EU funds are demoted", Legal World, October 2009, 134 p., <http://www.legalworld.bg/show.php?storyid=16716>

Nozharov Sht., "Planning for success is not sufficient for effective absorption of EU funds", Legal World, September 2009, 130 p., <http://www.legalworld.bg/show.php?storyid=15725>

<sup>30</sup> Paliova I. and Lybek T., "Bulgaria's EU Funds Absorption: Maximizing the Potential", International Monetary Fund, Feb.2014, p.35

<sup>31</sup> Public Procurement for "Organization of trainings for employees" Cohesion Policy for Environment "(CPE), the" European Union funds for the Environment (IB) "and the" Internal Audit "(VO)" of Operational Programme "Environment", Registry of the Public Procurement Agency № 00258-2012-0007/24-02-2012 with implementation period of two years.

<sup>32</sup> Public Procurement for " Translation and interpretation, including simultaneous and consecutive interpreting for the needs of the Operational Programme" Environment 2007 - 2013, "the Register of Public Procurement Agency № 00258-2012-0002/13.02.2012 and № 00258-2009-0001/26.01.2009 with value 364 810 leva without VAT implementation period 2008 - 2014. Speaking a foreign language is compulsory for civil servants under Article 31, paragraph 1 and Article 38, b. 'D' b. 'K' and Annex № 2 and № 7 of the Ordinance for conducting competitions for civil servants (acting), approved by Decree № 8/2004 (promulgated n.6/2004 amend. and suppl. n.49/2012 SG.).

<sup>33</sup> Audit report of the Court of Auditors, № 0000000208/2009 for the results of an audit of the management of the Structural and Cohesion Funds for the period from 01.01.2006 to 30.06.2008, p.16



assumptions are made. While highly qualified staff of the Managing Authority of Environment OP continue to spend 1 million leva year on training and receive high salaries, their duties for program management are performed by external private companies:

Managing Authority of Environment OP is an outsourced activity subject to ongoing evaluations of the Environment OP 2007-2013, which is its duty under the legislation, as it is paid 500,000 euro.<sup>34</sup> Also transfer the activities of assessment and risk analysis of projects approved for funding under the Environment OP 2007 to 2013., which spent over half a million euro.<sup>35</sup>

A number of other major activities of the managing authority have been outsourced,

but we will not elaborate on the numerous examples.<sup>36</sup>

The interim unit under the Environment OP has also transferred key functions that it is required to perform by law to external contractors. For example, the preliminary and follow-up control over public contracts has been transferred to external contractors, who are paid about 125,000 euro. Activities related to the implementation of verification and on-site checks of projects has also been outsourced to external contractors, who were paid nearly 600,000 euro.<sup>38</sup>

In practice, for the period 2007 to 2013, under the Environment OP at least half a million euro (there is public data for only two years) were spent on the training of its employees while at least 1.5 million

<sup>34</sup> Public Procurement for "Intermediate and ongoing evaluations of the OP" Environment 2007-2013 "and the communication plan of the Operational Programme" Environment "and monitoring of the communication plan of the Operational Programme" Environment ", Registry of the Public Procurement Agency № 00258-2011-0029/30.08.2011 totaling 733 010 lv. without VAT. That is the same function of the Managing Authority of Operational Programme "Environment" (CPE Directorate) in Statutes of the Ministry of Environment and Water (Article 40, item 16 and item 19-row. Promulgated n.94/2009; Article 40, paragraph 1, item 17 and item 20-row. amend.74/2010 SG, 40, and item 20 al.1.t.17-order. promulgated SG n. 102/2011)

<sup>35</sup> Public Procurement „Implementation of evaluation and risk analysis of projects approved for funding under the Operational Programme" Environment 2007 to 2013", Register of Public Procurement Agency № 00258-2008-0111/13.10.2008 with value of 536 230 lv. without VAT with implementation period from 2008 to 2011.

That is the one of the main functions of the Managing Authority of Operational Programme "Environment" (CPE Directorate) according to the Structural regulation of the Ministry of Environment and Water (Article 40, item 13 - Promulgated n.94/2009, 40, para 1, p.14-order. amend. SG n.74/2010, 40, al.1.p.14-order. promulgated n.102/2011)

<sup>36</sup> For example: Public procurement "Performing analysis and evaluation of human resources and administrative capacity and the organizational structure of the "CPE" in MoEW, updating the strategy for organizational development, developing a strategy for human resources development, as well as specialized plan training a staff for the period up to 2012" for Operational Programme" Environment ", Registry of the Public Procurement Agency № 00258-2008-0119/15.12.2008 with value 205 700 leva excl. VAT for a period of implementation from 2008 to 2010. That is one of the main functions of the Managing Authority of Operational Programme "Environment" (CPE Directorate) according to the Structural regulation of the Ministry of Environment and Water (40, 2 and 4 - row. Promulgated n.94/2009; Article 40, paragraph 1, 2 and 4-row. amend. n.74/2010 SG, Article 40, paragraph 1, 2 and 4 - row. promulgated SG n.102/2011)

<sup>37</sup> PP "Selection of a consultant to carry out the preliminary and follow-up of contracts announced and / or implemented by beneficiaries under the Operational Programme" Environment 2007-2013 "Register of Public Procurement Agency № 00258-2010-0008 / 31.03.2010 with value 224 000 leva without VAT implementation period: 2010-n / a

That is one of the main functions of the IB Operational Programme "Environment" (the "IB") according to the Structural regulation of the Ministry of Environment and Water (43, p.5-9-line. Promulgated n.94/2009, 43, paragraph 1, item 5-9-line. am. SG n74/2010, 43, 1, p.6-9-line, SG n. 102 / 2011).

<sup>38</sup> PP " Verification and on spot checks in connection with projects approved for funding under Priority Axis 4" Technical Assistance "of Operational Programme" Environment 2007-2013 ", Register of Public Procurement Agency № 00258-2008 -0120/23.10.2008 totaling with value 586 163 leva without VAT with implementation period 2008 -2011.

That is one of the main functions of IB Operational Programme "Environment" (the "IB" according to the Structural regulation of the Ministry of Environment and Water (Article 43, item 12,-order. Promulgated n.94/2009, Art 43, paragraph 1, item 12,-order. am. SG n.74/2010, 43, paragraph 1, item 12,-order. SG n.102/2011)

euro were spent on the performance of their basic functions required by external performers.

**The highest rates have been paid to both public administration and external contractors. This outsourcing of public services shows that one of the two figures is redundant or that civil servants do not actually perform their basic duties, despite the costs incurred by the Bulgarian and European budget or contractors who, regardless of the good fees, have shown efficiency equal to 25%, which is the level of absorption of EU funds in the respective operational program.**

However, the required type of education has not been specified, such as lawyer, engineer, architect, etc, though such abilities are useful in infrastructure operational programs relating to the environment, transport, regional development. Therefore composers, teachers, doctors, athletes who have a bachelor's coaching degree or a master's degree from the Academy of Music turn out to be hired in the programs. Having entered the public service, they immediately begin to receive double salary while in taking advantage of European or national budgetary funds they improve their qualification at the expense of taxpayers, and their functions are performed by external experts awarded the public tender, as mentioned in

above cases under the Environment OP. This conclusion corresponds to the low absorption of EU funds and confirms the low level of qualifications of those employees.

**The major conclusion that can be drawn is that there is no system for the selection of qualified civil servants responsible for the absorption of EU funds, which provide the minimum level of qualification required for normal performance of their duties.**

**The second conclusion is that when the main activity is outsourced the civil servants responsible for it continue to receive bloated salary for good performance, even though they no longer carry the activities nor are assigned other tasks.**

Hence the conclusion that at least one third of the public officials responsible for the absorption of EU funds in Bulgaria has been appointed without a competition. This poses a risk of recruiting incompetent staff, who meet only the minimum requirements for the position, and who would not be able to qualify in the event of a competitive procedure with the participation of other candidates.

### 3. Shared values<sup>40</sup>

Shared values common to the public officials responsible for the absorption of EU funds should support Bulgaria's goal as EU member state to speed up economic

<sup>39</sup> Art. 1, para 1, p. 3 and Article 8 of the Regulation on the application of classification of positions in the administration, approved by Decree № 129/2012 (promulgated n.49/2012, amended and supplemented. n.103/2012 SG.) such position № 113.5.p 1B and Position № 150,6. "Senior expert at the Executive Agency "Audit of EU Funds" from the classification of positions in the public administration, adopted by Decree № 129/2012 (Promulgated n.49/2012, amended and supplemented n.25/2014 SG).

<sup>40</sup> "Shared values" means the view for the purpose of the organization according to its members and the strength of their desire to work towards this goal. Supporting documents like strategies, procedures and ethical rules regulating the purpose of the organization have important significance.

growth and reach the industrially developed countries in the EU. This means that these values include high motivation to perform the duties, diligence and efficiency in work, ethics and intolerance to corruption. Hence the poor performance with regard to the absorption of EU funds speak is quite revealing.

In practice, these desirable theoretical shared values, which are desirable for public officials responsible for the absorption of EU funds, have been replaced with others that will be presented below:

The first is the desire to achieve a higher qualification on public expense, and establish good business relationships and later on find a more profitable job in the private sector. It explains the high turnover of these employees after a certain period, which, despite their high income and other benefits, moves over to the private sector. It is a false assumption that the reason for this is the higher though not maximal wages they receive for the countries' standard.<sup>41</sup>

The second shared value derived from the analysis is that there is social prestige and high government salary in the cases of low qualifications. As aforementioned in the second section, the requirements for the appointment of experts in the field of EU funds involve only the level of education. Since there is no legal restriction to occupy such a position by a person with low education or training, such a person would be highly motivated to find contacts and ways to be appointed to such post.

## 4. Style<sup>43</sup>

Leadership style can be represented by the frequency of changes in the system and governance structure of the various operational programs. Under the taken as an example the Environment OP every year or year and a half changes are made in the rules defining the structural framework of the managing authority. On the other hand, any new regular or interim government usually changes the strategy documents on which the program is based and implemented as well as other things from its structure. This creates turmoil on the daily work of the staff and requires in the first place time to learn and understand the purposes of each change, and secondly in case of managers, employees have to adjust the new requirements each time.

Management style can be represented by the level of use of feedback on the effectiveness of the organization by its leaders, in case that they can be affected from the achieved efficiency of management activities. Senior officials within the administration have taken appropriate response activities for the absorption of EU funds on the basis of recommendation made by the European Commission departments. Questionable, however, is the effectiveness of such measures at the level of absorption of EU funds after the end of the programming period less than or equal to 50%. Herein also the level of satisfaction of users (beneficiaries) should be taken into account. At the time of drafting this paper was not

<sup>41</sup> Paliova I. and Lybek T., "Bulgaria's EU Funds Absorption: Maximizing the Potential", International Monetary Fund, Feb.2014, pp.35, 38

<sup>42</sup> Such an analysis can be made for the education of these employees in their initial education. Subsequently, because of the position held and public maintenance they change their education, but how to change the qualification of Master of sports education in retraining with four semesters of public administration. These four semesters paid with government money can not change substantially the qualifications and abilities of the person. In most cases they are due to formal diploma with which the employee can be assured that a formal document meets the requirements of the position.

<sup>43</sup> "Style" means the top management decision to rule the organization.

found specific official public information about satisfaction of the beneficiaries from the different Operational programs. According to the latest official information for general public administration, in 2012 62% of the administrations had not taken any action to investigate and measure user satisfaction from the administrative services.<sup>44</sup>

The conclusion from the above is that the style of the management is characterized by high dynamics and poor reporting of user satisfaction (beneficiaries), which has a more negative impact on the functioning of the system and is confirmed by the achieved unsatisfactory results from the absorption of EU funds.

### 5. Strategy<sup>45</sup>

As a long-term strategic document in the field of EU funds could be taken the National Reform Programme.<sup>46</sup> It is supplemented and specified by various sectoral strategies in the field of environment, transport, agriculture, regional development, etc. Sectoral strategies do not correspond to the administrative structure of government departments. For environment there are measures in several different operational programs: environment, regional development, agriculture implemented in different ways depending on the specific requirements of the management of each program. In addition, the policy of environment is considered differently in the strategic documents of Ministry of Economy, Ministry of Transport, Ministry of Agriculture, Ministry of Environment and Water.

On the other hand, policies important for the country's strategic in the period 2007 to

2013 had remained without any operational programs, such as health care, which affects the efficiency of the active labor force as well as the demographic situation. There is no such program for the following post-2014 period..

Hence the conclusion is that the strategic framework is rather formal and largely adapted to meeting the European requirements. It needs a better balance and evaluation of national strategic priorities. This would have a positive impact on the national and EU funds for the construction of complementary infrastructure.

### 6. System<sup>47</sup>

The period from 2007 to 2013 is characterized by the problems in the control systems. The processes in current control overlap. Executive Agency „Audit of EU Funds“ performs functions of the Internal Audit and duplicates the activities of the internal audit departments that are established in each ministry with the operational program and also act under the law for internal audit. The ex-ante control systems are also duplicated. Such control is conducted by employees from the relevant operational programs and at the same time such control is performed by other internal government officials from the Public Procurement Agency. Ex-post control is performed by many administrations - Court of Auditors, and the Agency for State Financial Control and Prosecution of the Republic of Bulgaria. At the same time each operational program has set a measure for the audit (in some programs-two percent of the total value) and it is often outsourced to a private contractor.

<sup>44</sup> Report on the state of the administration in 2012. Council of Ministers of the Republic of Bulgaria, July 2013., P.33

<sup>45</sup> "Strategy" in the study means the existence of long term goals of the organization and the resources needed to achieve them.

<sup>46</sup> National Reform Programme, Ministry of Finance, , <http://www.minfin.bg/en/page/573>

<sup>47</sup> "System" in the study means the interrelated processes modeled in the organization of its procedures.

Additionally considerations involve the inadequate application procedures and implementation of EU projects (complicated guidelines and procurement) systems to exchange information and insufficient level of so-called e-government, the discrepancies between the requirements of the various operational programs, discrepancy in system modules management and control of various operational programs which makes it difficult to coordinate and monitor.

### 7. Structure<sup>48</sup>

The administrative structure in Bulgaria responsible for absorption of EU funds is organized into multiple separate operational programs managed by managing authorities in the structures of relevant ministries and coordinated by the central coordinating unit in the Council of Ministers which has a coordinating role, supportive rather than crucial. Similar structures of management of EU funds exist in Hungary and Slovenia.<sup>49</sup>

Other countries have organized structures differently. In Estonia, Lithuania, Latvia activity is centralized in one ministry that is either specifically designed or Ministry of Finance. In Poland, the Ministry of Regional Development plays a central coordinating role. Romania also has a centralized body especially the Ministry of EU funds.<sup>50</sup>

These examples show that the same model has a different effect in different countries. Countries with centralized authority such as a ministry for the absorption of EU funds show very different results.

Based on the analysis in the previous six points, this paper concluded that for Bulgaria it is better to have only two MAs for all operational programs: one for infrastructure programs (environment, transport, regional development) and one for non-investment programs (science, good governance, etc.), which have to be located in the Council of Ministers or in the ministry that scored good results under all indicators for a previous program. The existing managing authorities should be converted into intermediate departments of the two new managing bodies, while their functions should not be duplicated with external contractors. Outsourcing to external contractors should be performed after an analysis in sectors where it is certain that at lower costs the same or better results would be achieved.

This assumption is proved by the example in item 1 of OP Transport and OP Environment. Obviously OP Environment is working inefficiently despite the numerous staff that receives the same high wages as employees under the Transport OP and implements the same type of projects. Furthermore, the main activities of this program are outsourced while its employees are trained for millions from public funds, given that they receive double salaries because they are overqualified.

### Conclusion

Given the detailed findings of the statement, the structure of the concept for a new management model of public administration implement activities for the

<sup>48</sup> "Structure" in the study means the manner under which the elements of the organization relate to each other horizontally and vertically, centrally or equally etc. It shows who makes the decisions and who is accountable to whom.

<sup>49</sup> EU Funds in Central and Eastern Europe, Progress Report 2007-2012, KPMG, 2013

<sup>50</sup> EU Funds in Central and Eastern Europe, Progress Report 2007-2012, KPMG, 2013

absorption of EU funds for Bulgaria will be summarized. This model includes:

- Preserving the CCU with its previous functions in the Council of Ministers;
- Consolidation of the management of all operational programs within two new managing authorities, one for infrastructure and one for non-investment operational programs. This will ensure efficiency while cutting costs for the maintenance of redundant inefficient units;
- the transfer of existing managing authorities into the intermediate bodies to the two new managing authority and redirecting existing IBs in the composition of new ones;
- Establishing a system for staff mobility intermediate bodies whose functions are performed by outside contractors awarded through public tenders in order to cut the unnecessary spending of public funds;
- Changing the system of competitions for experts occupying positions in the administration managing EU funds by requiring special education in line with the operational program and the occupied position;
- The ban on trainings that match the qualification assumed or required by the expert according to his position at receiving high salary given for alleged initial high qualifications and requirements of the competition for the appointment;
- Suspension of the procedure for the appointment of experts in EU funds without competition;
- Termination of duplicate system processes especially in the field of control;

- Revision of the pay system, which should be based only on performance;
- In view of anti-corruption effect, rotation of employees from IBs in different operational programs of the same infrastructure or non-investment type;
- Employees working in EU fund management should be banned at least one year to quit and start work in consulting companies in order to prevent influence peddling.

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